

Canals, Consent, and Coercion

A Critical Approach to the Political Economy of Transnational Mega-Projects

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Abstract. Ever since Chinese telecommunications magnate, Wang Jing announced in 2013 that construction would be going ahead for an interoceanic canal in Nicaragua, the proposed mega-project has garnered considerable attention and criticism. In order to analyze the political dynamics between the private investor and the nation-state, this paper seeks to move beyond a state-centric approach that has been used to frame this project specifically, as well as other infrastructure projects of a similar nature. By moving away from a conventional state-centric approach, this paper explores both how and why actors govern in the context of environmental politics. In order to do so, this paper adopts a critical political economy approach to assess the politics of global environmental governance.

Introduction

Ever since Chinese telecommunications magnate, Wang Jing announced in 2013 that construction would be going ahead for an interoceanic canal in Nicaragua, the proposed mega-project has garnered considerable attention and criticism. Wang, backed by his private infrastructure investment group, the HKND (Hong Kong Nicaragua Canal Development Group), was granted a fifty-year concession to manage the project by the Nicaraguan legislature in 2013, in what many critics deem a “notoriously nontransparent [process]” (Daley, 2016). Not only is the Nicaraguan state legally obliged to uphold the contract for fifty years, but there is no specific timeline in the contract for the construction of the project. This contract drew immediate criticism from observers who argue that the concession is tantamount to Nicaragua surrendering its sovereignty (Wünderich, 2014). These perspectives have become increasingly critical as there are still no signs of progress on the \$50 billion mega-project. International criticism is mounting (Wünderich, 2014) and there were close to one hundred domestic protests against the project in 2017 alone (Vasquez, 2017).

The viability of the Nicaragua Canal looks increasingly doubtful; however, the fifty-year concession granted to the HKND still retains legal bearing. This concession has worried critics, both locally and globally, as the HKND will retain access to a sovereign *place* for years to come regardless of the construction progress on the canal. The transnational power that the HKND wields over sovereign actors—including the Nicaraguan state and other local actors—is the focus of this paper. First and foremost, what social forces facilitate or allow for this wide-scale environmental degradation to occur? Specifically, how exactly did the HKND, a private entity with no experience in infrastructure investment, receive unbridled access to a sovereign place? What economic and social conditions, both globally and locally, enable the HKND to constrain other autonomous actors? Whose rules rule? And, at what cost?

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In order to analyze the political dynamics between the private investor and the nation-state, this paper seeks to move beyond a conventional, regime-centric approach. Such a theoretical approach presumes that nation-states are the primary actors and that national interests are the primary incentives for large-scale infrastructure projects. In the case of the Nicaragua canal, it would be misleading to reduce the project to a bilateral interaction between China and Nicaragua. Doing so obscures the historical, material, and social forces that facilitated this proposed project—on both a global and local scale. Instead of a regime-centric approach, this paper will explore *how* and *why* particular actors govern in the context of environmental politics. More specifically, this paper adopts a critical political economy approach to assess the politics of global environmental governance (Newell, 2008).

First of all, this paper will refute the aforementioned regime-centric approach that has been used to frame this project specifically, as well as other infrastructure projects of a similar nature. In addition, this paper will introduce a more comprehensive theoretical framework using a critical political economy approach that is more appropriate for analyzing the politics of transnational mega-projects. Secondly, this paper will provide an empirical description of the proposed mega-project in Nicaragua. This section aims to highlight the profound risks this project poses—both environmentally and socially. And finally, this paper will analyze the aforementioned case study through the theoretical lens and argue that this case has greater implications for other projects of a similar nature.

Theoretical Framework: Beyond a Regime-centric Approach

In recent years, scholars and commentators have noted China's increasing presence in Latin America. Whether through comprehensive trade agreements or through the support of large infrastructure projects many scholars have concluded that this increased interest is evidence of China's geopolitical 'agenda' in the region (Gallagher, 2016; Yip & Wong, 2015). A state-centric approach—wherein the Chinese state is presumed to be the primary actor—has been applied to the proposed Nicaragua Canal. Although scholars that hold this approach concede that the Chinese state does not directly finance the proposed interoceanic canal, they argue that because it lines up with their "geostrategic" interests in the region, the Chinese state is a primary actor. For example, Stratfor's 2014 article explicitly states: "Chinese investment in the [canal] ... aligns with Beijing's broader trend of investing in ports and other infrastructure projects ..." (2014). Other authors follow this logic by arguing that because China will benefit—economically, geopolitically, or otherwise—from the canal, it is a key actor in the project (see Yip and Wong, 2015).

A state-centric analysis of the Nicaragua canal, and of transnational infrastructure projects in general, is analytically expedient as it provides a "nice, neat, and above all simple explanation of the past" (Strange, 1982: 480) and in doing so, ignores the question of *how* and *why* environmental problems arise. In the aforementioned Stratfor article, for example, there is no mention of *how* or *why* a private, transnational entity, the HKND, governs in Nicaragua. Instead of engaging with the actual politics of environmental governance—who governs, how do they govern, and why do they govern—a state-centric approach obscures the social forces that facilitate these power relations. Saurin argues that "international political analysis continues to be conducted as if environmental goods and bads are produced, accumulated, and therefore regulated by public organizations. They are not." (Saurin, 2001: 80). Here, Saurin implicitly suggests that other non-state actors have taken a dominant role in global environmental politics, a role that a state-centric approach doesn't necessarily account for.

Newell expands on Saurin's argument and asserts that there has been a "widening and deepening" of non-state actors implicated in environmental governance and regulation that are "dispersed, global, private, [and] beyond state regulation" (2008: 511). These private, transnational actors, argues Newell, have a certain power in a highly financialized and interconnected global economy as they control the materiality—measured through trade, production, and finance—of global environmental issues. In the case of the proposed Nicaragua canal, the HKND provides the capital for the project, and thus controls the actual construction of the canal. As a result, it regulates and governs a sovereign, environmental space in Nicaragua. Therefore, suggesting that this project is part of China's 'geopolitical agenda' is not only reductive, it also obscures the material reality of the proposed canal.

Newell provides an effective theoretical framework to counter regime-centric analyses of infrastructure projects: a critical political economy approach. Newell explains that in order to understand environmental governance in a global neoliberal context, one must study, "the ways in which 'macro' social and economic forces in the global economy configure the 'micro' practices of environmental politics in particular sites without losing a sense of what makes those sites unique" (Newell, 2008: 528). Newell's theory of the critical political economy approach is useful in that it provides an empirical reference—the 'macro' and the 'micro'—to the theory. In addition, Newell asserts that those non-state actors at the 'macro' level have material, organizational, and institutional capabilities which effectively give them power in the realm of environmental governance. On a macro level, Newell also highlights the role that international financial institutions play through structural adjustment policies that make states more receptive to the "interests of transnational capital" (2008: 513). These 'macro' forces, argues Newell, are what drive 'micro' practices of environmental degradation. Newell also highlights the importance of *place*, and the social, political, and material relations they are comprised of.

The Proposed Nicaragua Canal

Not only would Ortega be surrendering sovereignty in legal terms, the 50-year concession to the HKND also implies surrendering Nicaragua's natural environment and ecosystems. As the tentative canal would be three times the length and twice the depth of the Panama Canal, and the "largest movement of earth in the planet's history" (Daley, 2016), it has repeatedly come under fire from environmentalists who warn its damage would be irreversible (Chen et al., 2016). The construction of the Nicaragua canal necessitates a 50-mile trench through the largest freshwater lake in Central America (Lake Nicaragua). This would risk salinating and contaminating the lake, damaging both freshwater reserves, as well as biodiverse ecosystems. Moreover, the canal would cut through so-called "virgin forests" which are home to endangered species, as well as the land of indigenous and non-indigenous populations. Chen et al. succinctly summarize the devastating environmental impact this canal would truly have, "The canal's construction process alone may pose huge risks of natural and ecological damage, even before the consequences of the canal itself are taken into consideration ... At the same time, it threatens to destroy local social and cultural structures in Nicaragua, including historical and archaeological sites, indigenous communities, etc." (2016, p. 88).

Chen et al.'s empirical data provide a compelling insight: environmental changes are inextricably linked to social relations. However, considering these factors independently is erroneous. Humans are invariably shaped by physical environments—and they simultaneously shape those spaces to create *places*. Wapner extends this line of logic by arguing that "there is no

such thing as nature unto itself” (Wapner, 2014). Here, Wapner suggests that the study of environmental politics must move away from a human/environment dichotomy, and instead explore the environment as a socio-biophysical relationship.

Wapner’s insights are particularly relevant to the proposed Nicaragua Canal as the environmental destruction legitimized by the Nicaraguan state—and executed by the HKND—will irreversibly affect socio-biophysical relations in Nicaragua. For example, thousands of people—both indigenous and non-indigenous—will be forcibly displaced during the construction phase (Wunderlich, 2014). Upon the canal’s hypothetical completion, their physical environment and sense of *place* will be fundamentally altered. Natural environments do not exist in a vacuum and dramatic changes to Nicaragua’s physical space implies both the coercion of its sovereign citizens as well as the degradation of its ecosystems, its biodiversity, etc. Evidently, these forces are intimately linked, and a socio-biophysical framework is useful because it provides a comprehensive understanding of the canal’s impacts, both socially and environmentally.

Canals, Consent and Coercion: A Critical Political Economy Approach

Building on Newell’s theoretical framework, there are two ‘macro’ variables that have shaped the ‘micro’ practice being examined. In the context of a global neoliberal economy, the first ‘macro’ variable is the institutional power of international financial organizations, and specifically, the effects of structural adjustment policies on Nicaragua. The second ‘macro’ variable in this case analysis is the economic power that the HKND wields as an autonomous, non-state financier. These variables are intimately related. The effects of structural adjustment policies consolidated the need for transnational capital—and thus the HKND. The particular ‘micro’ practice in question is the aforementioned infrastructure project in Nicaragua—and specifically the 50-year concession that was granted to the HKND. This paper contends that the macro variables mentioned *enabled* the ‘micro’ practice—that is, the concession to the HKND.

The first ‘macro’ variable to examine is the role of international financial institutions in the context of global neoliberalism. Since the 1980s, the World Bank and the IMF have played a fundamental role in re-structuring developing markets in Central America. Through its structural adjustment policies (SAPs), these financial institutions fundamentally shaped the way in which states like Nicaragua gained access to global capital markets (Alvey, 2014:

284). By the late 1990s, however, these institutions began to acknowledge the limitations of these so-called structural adjustment policies, and moved to use new policy tools in developing states, most notably the “Poverty Reduction Strategy Paper” (PRSP). Despite rhetorically promising a shift away from the SAPs, “the introduction of the PRSP approach could be understood as an attempt by the IFIs to rebuild hegemony around their highly contested neoliberal policy prescriptions” (Rückert, 2007: 93). As one of the first countries to adopt the PRSP, Nicaragua quickly “internalized the neoliberal policy stance” represented by the IMF and the World Bank (Rückert, 2007: 104). This resulted in the privatization of welfare systems and public utilities; further trade liberalization; and ultimately an increased presence of multinational firms in Nicaragua. Newell describes the way in which neoliberalization operates, “In a context of weakened state structures, the power and privileges of business groups are enhanced ... [through] weaken[ing] environmental legislation and generally ... align[ing] state policy more closely with the interests of dominant and transnational capital” (Newell, 2008: 513).

This is the key insight to understanding the environmental governance of the Nicaragua Canal: in the context of a “weakened” Nicaraguan state, transnational capital—provided by the

HKND—has the power, as well as the incentive, to govern. The HKND agreed to finance the project and provide the labour in the construction process and thus, they control the materiality of the project. As Saurin notes, those that control the materiality of environmental governance, control “the *actual* transformation of nature” (2001: 74). In other words, they control *what* is produced and *how* it is produced. However, the influence of the HKND is not limited to the “transformation of nature” as Saurin suggests; the HKND’s power extends to the social realm if environmental space is to be understood as a socio-biophysical relationship. This, in turn, suggests that the HKND has the ability to disrupt and re-shape the existing social and natural elements of a *place*.

The corresponding ‘micro’ practice, the 50-year concession effectively signing away Nicaragua’s sovereignty (Wünderlich, 2014), is thus the result of a system that enables private financial entities, like the HKND, to invest its highly liquid and mobile capital abroad. By doing so, the governance of environmental politics is transferred away from the state and towards private transnational entities. However, the state still remains a significant actor, argues Newell, as it is the main actor that bargains with the private actor. Moreover, the state “suppl[ies] coercive power ... [to] strip local communities of their historical property right in nature” (Newell, 2008: 515). In this way, the HKND and the Nicaraguan state are not antagonistic actors; in fact, they are complementary forces. Indeed, the concession was only possible because the Nicaraguan state indirectly forfeited the *consent* of the people that might be affected by the mega-project. In doing so, this project necessitated the *coercion* of these people, albeit indirectly through the nontransparent decision-making process (Newell, 2008: 515).

The Personification of Infrastructure Projects: Canals as Political Actors

Although this paper focuses on the complex governance issues at the heart of the proposed Nicaragua Canal—specifically, who governs, how do they govern, and why do they govern—there are several observations that also apply to transnational infrastructure projects more generally. Firstly, a state-centric analysis is an inadequate and reductive framework for exploring the governance issues of these complex projects as it “ignores the vast area of nonregimes,” which, in turn, excludes “hidden agendas” and thus obscures the actual politics shaping environmental governance (Strange, 1982: 480). Moreover, it does not adequately address the materiality of infrastructure projects, which reveal the key governance issues surrounding such projects.

Newell’s critical political economy approach is useful in that it engages with the social forces that shape environmental governance. His analytical schematic, which implies causation between global, ‘macro’ forces and local ‘micro’ practices, is particularly useful in that it highlights *whose rules rule*. In tandem with Wapner, Newell’s framework suggests that forces in the global economy shape local practices which erode sovereignty in favour of transnational interests. The case analysis discussed, the proposed Nicaragua Canal, reflects the complexity of transnational infrastructure projects. When conceived nontransparently they inevitably become areas of contestation. Moreover, they reflect the contentious socio-political antecedents—on both a global and local scale—that enable their construction. Regardless of their completion, infrastructure projects themselves become powerful actors as they necessitate the coercion of, and thus forfeit the consent of, sovereign citizens, their natural environment, and the socio-biophysical relationships formed therein.

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